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24 MAR 1978

MEMORANDUM FOR: Deputy Director for Administration

FROM: Thomas B. Yale
Director of Finance

SUBJECT: Report on Industrial Contracts and Industrial Security

1. You have asked that I advise you of my position relative to the recommendations of the "Industrial Contracts and Industrial Security Final Report" as they pertain to Office of Finance responsibilities.

2. Two of the recommendations (#16 and #24) of that report require action by this Office and the recommendations and our position with regard thereto are as follows:

Recommendation #16: That the Director of Finance and the Chief, Det A, jointly conduct periodic reviews of the policies and procedures followed by each of their components for the purpose of assuring appropriate application of contract audit policy and procedures.

We endorse this recommendation and believe its implementation will provide the Director with assurance that he is getting similar and appropriate audit protection from the two audit groups involved. We understand that the Task Force which prepared the report recognized that, while very desirable, there is no practical way of having all audits for Agency procurement and national programs procurement supervised by a single individual such as the Chief, [REDACTED] or the Chief, Commercial Systems and Audit Division, Office of Finance. The Chief, Commercial Systems and Audit Division will be the action officer for implementing this recommendation for the Office of Finance. While it is not discussed in the recommendation, it is assumed that in implementation a procedure will be developed for the referral to appropriate levels of authority any unresolved differences which may

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arise between the Chief, [REDACTED] the Chief, Commercial Systems and Audit Division.

Recommendation #24: That the Director of Logistics (for contracting officers) and the Director of Finance (for auditors) participate jointly with Agency procurement components in preparing Letters of Instruction. The Director of Logistics and the Director of Finance shall also prepare written evaluations of their personnel assigned to Industrial Contracting Teams to ensure assessment of their technical performance. These evaluations shall be shown to the individuals concerned, attached to their fitness reports and included in their official personnel files.

We endorse this recommendation with the understanding that it applies only to personnel assigned to Industrial Contracting Teams. We believe the Office of Finance can be helpful in preparing the Letters of Instruction of the industrial contract auditors assigned to these teams and that the Office of Finance supervisor of these auditors is also well qualified to assess their technical performance. The Chief, Commercial Systems and Audit Division will be the action officer to effect the implementation of this recommendation as it applies to Office of Finance personnel.

3. While recommendation #25, which suggests that the requirements of the Agency's three contract information systems (CONIF, STEPS and SPA) be consolidated into one system, does not levy a specific requirement on the Office of Finance, we assume the Office of Finance will be involved in the implementation of this recommendation. We agree that consolidation of the three systems is desirable goal and the Chief, Plans and Systems, Office of Finance will be our action officer for this recommendation.

[REDACTED]

Thomas B. [REDACTED]

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*What does Tom have in mind
that the recommend. will apply
to?*

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INDUSTRIAL CONTRACTS AND INDUSTRIAL SECURITY
KEY RECOMMENDATIONS

MAJOR ISSUES

RECOMMENDATION #1: THAT THERE BE ONE DELEGATION OF CONTRACTING AUTHORITY FROM THE DCI TO THE DIRECTOR OF LOGISTICS WITH REDELEGATION OF THAT AUTHORITY TO THE CONTRACTING OFFICERS FOR NATIONAL AND CIA PROGRAMS.

RECOMMENDATION #2: THAT DECENTRALIZED CONTRACTING PROCEDURES BE CONTINUED AS THE MOST COST EFFECTIVE METHOD FOR CARRYING OUT INDUSTRIAL R&D CONTRACTING.

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INDUSTRIAL CONTRACTS AND INDUSTRIAL SECURITY

KEY RECOMMENDATIONS

INDUSTRIAL SECURITY

RECOMMENDATION #3: THAT AGENCY REGULATIONS BE REVISED TO CHARGE THE DIRECTOR OF SECURITY WITH SPECIFIC RESPONSIBILITY FOR THE PHYSICAL SECURITY PROTECTION OF COMMUNICATIONS CENTERS LOCATED AT AGENCY-SPONSORED CONTRACTOR FACILITIES, INCLUDING THOSE OF NATIONAL PROGRAMS, AND ALSO BE REVISED TO CHARGE THE DIRECTOR OF COMMUNICATIONS WITH SPECIFIC RESPONSIBILITY FOR EMANATIONS, TRANSMISSION AND CRYPTOGRAPHIC SECURITY PROTECTION AT THESE FACILITIES.

RECOMMENDATION #4: THAT THE DIRECTOR OF SECURITY PARTICIPATE JOINTLY WITH AGENCY PROCUREMENT COMPONENTS IN PREPARING LETTERS OF INSTRUCTION FOR EACH INDUSTRIAL SECURITY OFFICER AND TO PREPARE, AS PART OF THE FITNESS REPORT CYCLE, A WRITTEN EVALUATION OF HIS OR HER PERFORMANCE IN CARRYING OUT SECURITY POLICY. THE DIRECTOR OF SECURITY'S EVALUATION WILL BE SHOWN TO THE OFFICER CONCERNED AND FORWARDED TO THE OFFICE OF PERSONNEL FOR INCLUSION IN THE OFFICER'S OFFICIAL PERSONNEL FILE.

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INDUSTRIAL CONTRACTS AND INDUSTRIAL SECURITY
KEY RECOMMENDATIONS

PROCUREMENT AUTHORITY AND POLICY

RECOMMENDATION #7: THAT THE OFFICE OF LEGISLATIVE COUNSEL IN COORDINATION WITH THE OFFICE OF GENERAL COUNSEL ADVISE THE DCI OF LEGISLATIVE PROPOSALS WHICH COULD SEVERELY IMPACT ON THE PROCUREMENT AUTHORITIES OF SECTION 8 OF THE CIA ACT.

RECOMMENDATION #8: THAT CIA CONTINUE TO UTILIZE THE ASPR TO THE MAXIMUM PRACTICABLE EXTENT EXCEPT IN THOSE AREAS IN WHICH THE FPR IS MANDATORY FOR ALL FEDERAL AGENCIES.

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INDUSTRIAL CONTRACTS AND INDUSTRIAL SECURITY KEY RECOMMENDATIONS

RESPONSIBILITY

RECOMMENDATION #11: THAT THE DIRECTOR OF LOGISTICS ISSUE PROCUREMENT POLICY AND PROCEDURAL GUIDANCE FOR BOTH AGENCY AND NATIONAL PROGRAMS AND OVERSEE THEIR IMPLEMENTATION.

RECOMMENDATION #14: THAT THE DIRECTOR OF LOGISTICS, IN COORDINATION WITH THE DEPUTY DIRECTOR FOR SCIENCE AND TECHNOLOGY, ESTABLISH CONTRACT REVIEW PROCEDURES WHICH WILL ENSURE ADHERENCE TO AGENCY PROCUREMENT POLICY CONSISTENT WITH NATIONAL PROGRAM REQUIREMENTS.

RECOMMENDATION #15: THAT THE INSPECTOR GENERAL CONDUCT PERIODIC FUNCTIONAL AUDITS AND INSPECTIONS OF THE INDUSTRIAL CONTRACTING PROCESS.

RECOMMENDATION #16: THAT DIRECTOR OF FINANCE AND THE CHIEF, DETACHMENT A, JOINTLY CONDUCT PERIODIC REVIEWS OF THE POLICIES AND PROCEDURES FOLLOWED BY EACH OF THEIR COMPONENTS FOR THE PURPOSE OF ASSURING APPROPRIATE APPLICATION OF CONTRACT AUDIT POLICY AND PROCEDURES.

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INDUSTRIAL CONTRACTS AND INDUSTRIAL SECURITY KEY RECOMMENDATIONS

IMPLEMENTATION

RECOMMENDATION #22: THAT THE INSPECTOR GENERAL DETERMINE IF THE FUNCTIONAL REVIEW OF INDUSTRIAL CONTRACTING REQUIRES ADDITIONAL PERSONNEL.

RECOMMENDATION #23: THAT THE DDA ESTABLISH A WORKING GROUP TO DEVELOP PROCEDURES FOR IMPLEMENTING THE FOLLOWING RECOMMENDATIONS:

- THAT "REQUESTS FOR PROPOSALS" WHICH ANTICIPATE CLASSIFIED CONTRACTS DESCRIBE SECURITY REQUIREMENTS AND REQUIRE THAT THE CONTRACTOR INCLUDE IN HIS PROPOSAL HIS PLAN FOR SATISFYING THOSE REQUIREMENTS.
- THAT CONTRACTOR PERFORMANCE IN THE SECURITY AREA BE CONSIDERED AS A CRITICAL ELEMENT FOR CONSIDERATION IN THE CONTRACTING OFFICER'S DETERMINATION OF RESPONSIBILITY PRIOR TO AWARDING CONTRACTS.
- THAT INCENTIVE/AWARD FEE TYPE CONTRACTS INCLUDE SECURITY PERFORMANCE ALONG WITH OTHER PERFORMANCE REQUIREMENTS AS A BASIS FOR FEE DETERMINATION.
- THAT CLASSIFIED CONTRACTS SHALL INCORPORATE SPECIFIC SECURITY PERFORMANCE STANDARDS AS WELL AS LANGUAGE THAT STRESSES THE IMPORTANCE OF COMPLYING WITH ALL SECURITY REQUIREMENTS.

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RECOMMENDATION #25: THAT A COMPARTMENTED CONTRACT MANAGEMENT SYSTEM BE DEVELOPED WHICH WILL INCLUDE THE REQUIREMENTS OF THE USERS OF CONIF, STEPS AND SPA AND THAT THE DIRECTOR OF LOGISTICS ESTABLISH PROCEDURES FOR UTILIZING THIS SYSTEM TO MONITOR THE PERFORMANCE OF AGENCY CONTRACTING ELEMENTS.

RECOMMENDATION #27: THAT THE DEPUTY DIRECTOR FOR ADMINISTRATION, IN COORDINATION WITH THE DEPUTY DIRECTOR FOR SCIENCE AND TECHNOLOGY, ESTABLISH A COMPUTER-SUPPORTED SYSTEM TO AID IN CONTROL OF CLASSIFIED DOCUMENT EXCHANGES THROUGHOUT THE AGENCY'S INDUSTRIAL CONTRACTING PROGRAM.

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